

# Highlights of 2012

## Economic and Financial Environment

The Hong Kong economy faces strong external headwinds with real GDP growth slowing visibly to 1.4%.

The banking sector remains robust and well capitalised with sound asset quality. Credit growth moderates and liquidity conditions improve.

## Monetary Stability

Currency Board operations remain smooth throughout the year despite capital inflows into the Hong Kong dollar towards the end of the year prompting intermittent triggering of the strong-side Convertibility Undertaking. The Hong Kong dollar exchange rate trades within a very narrow band against the US dollar.

Money market activities are orderly with ample interbank liquidity.

## Banking Stability

The HKMA extends its vigilance on the management of liquidity and credit risks by banks because of the continuing impact on global financial markets of the European sovereign debt crisis and uncertainty over the US recovery.

The fifth round of countercyclical measures on property mortgage loans is introduced; and supervision of banks' compliance with anti-money laundering requirements is stepped up.

Legislation to implement the first phase of the strengthened Basel standards is enacted to take effect from 1 January 2013.

## International Financial Centre

---

Hong Kong's status as a global centre for offshore renminbi trade settlement, financing and asset management is strengthened. International co-operation platforms with London and Australia are established, and renminbi banking services are extended to non-Hong Kong residents.

The HKMA proactively participates in regional co-operative initiatives to promote monetary and financial stability in Asia and to improve the region's collective voice in international financial affairs. In response to industry demands and international developments, new components are added to further broaden the scope and increase the depth of Hong Kong's financial infrastructure.

## Reserves Management

---

The Exchange Fund records an investment income of \$111.6 billion, a return of 4.4%.

Total assets of the Exchange Fund reach \$2,781.1 billion at the end of 2012.